GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5018
ANSWERED ON:20.12.2002
CUSTOMS DUTY ON LIFE SAVING DRUGS
NARESH KUMAR PUGLIA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have exempted all the life-saving medicines currently under zero customs duty from payment of excise duty;

(b) if so, the details thereof;

(c) the steps taken by the Government to ensure that this benefit is passed on to the consumers?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMAPANY AFFAIRS (SHRI FINFEE N.RAMACHANDRAN)

(a) & (b) The life saving drugs and medicines covered under List 4 ofnotification No.21/2002-Customs dated 1-3-2002, are fully exempt from all import duties. In terms of note 5 to chapter 30 of Central ExciseTariff, the activity of labeling/re-labelling amounts to manufacture. As such these imported drugs were also liable to excise duty of 16% when labeled or relabeled so as to comply with the provisions of Drugs and Cosmetics Act, 1940 and Drugs (Prices Control) Order, 1995. Toremove this anomaly, these life saving drugs or medicines which are fully exempt from customs duty, when labeled or relabeled so as to comply with the provisions of Drugs and Cosmetics Act, 1940 and Drugs(Prices Control) Order, 1995, have been exempted from central excise duty vide notification No.55/2002-Central Excise dated 7-11-2002.
(c) The prices charged to the consumers are determined by market forces of demand and supply and depend on various factors like cost of inputs, R&D costs, product quality, sales promotion cost, trade commission, freight charges and taxes. There is no specific provision in excise laws for passing on the reduction in duty to the consumers.